



Update

TALKING POINTS 2020 Legislative Session

1. The legislature determines KPERS benefits and funding.
2. At the present time 86% of retirees and beneficiaries have never received a COLA (cost of living adjustment). The last COLA became effective in 1997. (Authorization statute was enacted in 1998, established the effective date as July 1, 1997.)
3. Kansas has earned the dubious honor of neglecting its retirees longer than any state with a statewide pension plan.
4. The Kansas legislature **does** have a history of awarding COLAs. KPERS, as we know it today, was established in 1962. Between 1971 and 1997 the legislature and the governor authorized 16 COLAs and at least 5 bonuses.
5. 50% of KPERS retirees receive less than \$1,000 in monthly benefits. Average monthly benefit provided by KPERS is \$1,264.71 or \$15,173 annually. (All KPERS including KP&F and the Judges is monthly 1361.91. [\$16,343 annually])
6. In the last 19 years the cost of medical care has increased 96%. The Consumer Price Index has increased over 50%.
7. In the case of KPERS, the annual actuarial recommended contribution, because of the years of underfunding is roughly SIX TIMES LARGER than if the pension system had been properly funded. The present contribution plan is scheduled to reach the actuarial (\$686 Million) amount in 2021. This will be the first time in 27 years that the 'proper' amount has been scheduled.
8. Presently KPERS is only 67% funded. Legislative short funding over the past 25 years has amounted to a KPERS trust fund shortfall of 9.06 billion dollars.
9. If it had not been for bond money issued in 2004 (\$440 million) and 2015 (\$1 billion), plus a 2% increase in employee contributions, the funded ratio would be even less than 67%.
10. FYI – The House of Representatives gavels in at 11:00, The Senate at 2:30.

OTHER IMPORTANT INFORMATION

1. The legislature also defines vesting, employee and employer contributions, benefit formula, service credit and retirement eligibility.
2. **KPERS originated in 1962 and merged with the Kansas Teacher's Retirement System in 1971. (The statutes require that any organization joining KPERS must be fully funded. The legislature made the decision to join the two programs, and subsequently contributed an additional \$10 million a year to fully fund the Kansas Teacher's**

Retirement System portion of KPERS from 1971-1982, at which time they stopped the “extra” contribution.) (This action has led to our comments that KPERS School has been underfunded two times in the past and now is another underfunding about to begin?)

3. The underfunding has become such a concern, that two times the legislature and Governor have authorized a bond issue to address the UAL (Unfunded Actuarial Liability).
 - a. BOND ISSUE # 1. "In February, 2004, the State of Kansas issued \$500 million in pension obligation bonds, and KPERS received net proceeds of \$440.2 million in March of 2004. The proceeds have been invested to assist with financing the State and School group's unfunded actuarial liability. The debt service on the bonds will be paid by the State of Kansas in addition to the State's regular employer contribution."
 - b. BOND ISSUE # 2. Again in 2015 underfunding became such a concern that the Legislature approved the issue of \$1 Billion in revenue bonds. The cost of the bonds is required to be paid by the General Fund, not the KPERS Trust Fund.
4. In 2019 the Senate and House passed SB9 which called for \$115 Million to be contributed to KPERS. The Governor signed this bill. After signing the bill, she removed \$56 Million earmarked for KPERS from her budget. The Senate put it back in but adjusted the bill amount to \$51 Million. The bill containing the \$51 Million passed both the House and the Senate. Governor Kelly then vetoed it. Her veto was overridden which means that KPERS will in fact receive the additional \$51 Million contribution. [This makes the annual KPERS contribution exceed the actuarial recommended amount in 2020 by \$61 Million.] This will make the first time since 1994 that the actuarial amount or more has been contributed to the KPERS Trust Fund by the Legislature.

A Reminder/Suggestion

1. KNEA has a permanent staff, KCPR does not. You can go to KNEA.org and sign up for the newsletter which is issued almost daily during the session. Any KPERS activity will be noted in this publication. There is no charge.
2. This year in the Legislature is “Carry Over Year”; therefore, there are two new, identical COLA bills, that have been introduced in both the House and Senate. They are HB2100 & SB74. While we realize that there continues to be a money shortage in Topeka, and this might seem like an inopportune time, the excuse repeated (year after year) offered by the legislature is that they can't afford such a raise, it seems unwise of us not to make the request. It should be noted that only the retired lobby for the retired. **Obviously, if the retirees don't make the request, no one else will!**
3. We are also including the following link <http://www.openkansas.org>. Anyone clicking on this link is able to enter their address (on the home page even!!! ☺) and get a list of the State and Federal elected representatives.

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